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## Electronic Funds Transfer

### Sec. 12-689-1. Definitions

(a) For the purpose of sections 12-689-2, 12-689-3, and 12-689-4 of the Regulations of Connecticut State Agencies:

(1) “ACH” or “automated clearing house” means a funds transfer system that is governed by the Operating Rules and the Operating Guidelines published by the National Automated Clearing House Association (ACH Rules) and that provides for the interbank clearing of electronic entries for participating banks;

(2) “ACH credit” means an electronic transfer of funds cleared through the ACH system in which a taxpayer’s bank, upon instructions from the taxpayer, originates an entry crediting the bank account designated by the department and debiting the taxpayer’s bank account for the amount of the payment to the department;

(3) “ACH debit” means an electronic transfer of funds cleared through the ACH system in which the department’s designated agent, upon instructions from a taxpayer, originates an entry debiting the taxpayer’s bank account and crediting the bank account designated by the department for the amount of the payment to the department;

(4) “Addenda record” means information that is required by the department to be transmitted in an approved electronic format for the proper identification of a payment in an ACH credit transaction;

(5) “Business day” means a day other than Saturday, Sunday or a legal holiday;

(6) “Commissioner” means “commissioner” as defined in section 12-685 of the Connecticut General Statutes;

(7) “Department” means “department” as defined in section 12-685 of the Connecticut General Statutes;

(8) “Electronic funds transfer” or “EFT” means “electronic funds transfer” as defined in section 12-685 of the Connecticut General Statutes;

(9) “Legal holiday” means “legal holiday” as defined in section 12-39a of the Connecticut General Statutes;

(10) “Person” means “person” as defined in section 12-685 of the Connecticut General Statutes; and

(11) “Tax” means “tax” as defined in section 12-685 of the Connecticut General Statutes.

(Adopted effective April 18, 2000)

### Sec. 12-689-2. Means of electronic funds transfer approved by the department

(a) **Approved EFT methods.** The means of EFT approved by the department are the ACH debit method and the ACH credit method. A taxpayer that is required to pay taxes by EFT shall choose either the ACH debit method or the ACH credit method.

(b) **Using the ACH debit method.**

(1) In an ACH debit transaction, the department or its designated agent originates the transaction when it gets instructions from a taxpayer. The transaction debits the taxpayer’s bank account and credits the department’s bank account for the payment to the department. In an ACH debit transaction, the department is responsible for the accuracy of the transmission.

(2) A taxpayer that uses the ACH debit method shall give the department’s designated agent the information needed to complete a timely ACH debit transaction.

(3) The department’s designated agent shall validate the payment information and give the taxpayer a confirmation number. The confirmation number verifies when

the designated agent received the necessary payment information. The confirmation number is not proof of payment. The taxpayer shall keep this confirmation number.

**(c) Using the ACH credit method.**

(1) In an ACH credit transaction, the taxpayer originates the transaction through its own bank and is primarily responsible for the accuracy of the transmission.

(2) A taxpayer that uses the ACH credit method shall give its bank all the information the bank needs to complete a timely ACH credit transaction, and an addenda record for transmittal to the department's designated agent.

(3) A taxpayer using the ACH credit method shall: verify that the taxpayer's bank account was debited for the proper amount of tax; verify that the funds left the taxpayer's bank account early enough for a timely ACH credit transaction to be completed; and keep the ACH trace number, which is available from the taxpayer's bank, and shall provide it to the department in the case of a lost or late payment.

**(d) Alternate payment methods for cases of emergency.**

(1) If an emergency prevents a taxpayer that is required to pay tax by EFT from using either the ACH debit method or the ACH credit method, the taxpayer shall immediately contact the department for alternate methods of payment. The department shall include in materials it sends to the taxpayer, the name, telephone number, facsimile number and e-mail address of the appropriate department employee to contact in case of an emergency.

(2) If the taxpayer cannot prove to the commissioner's satisfaction that the emergency preventing the taxpayer from paying the tax by either the ACH debit method or the ACH credit method is due to circumstances beyond the control of the taxpayer, then the tax is subject to penalty and interest according to all applicable provisions of the Connecticut General Statutes.

(Adopted effective April 18, 2000)

**Sec. 12-689-3. Notification of requirement to pay tax by electronic funds transfer**

**(a) Department's notice to taxpayers.** The department shall give notice of the requirement to pay tax by EFT to each taxpayer that is so required. The department's notice shall identify the type of tax that shall be paid by EFT and the tax period to which the requirement first applies. If the taxpayer has chosen the ACH debit method to pay the tax, the taxpayer shall also provide in writing the type and number of the taxpayer's bank account from which the tax will be paid by EFT, and the routing transit number of the taxpayer's bank.

**(b) Information to be provided by the taxpayer.**

(1) When the department gives a taxpayer notice of the requirement to pay tax by EFT, the taxpayer promptly shall advise the department, in writing, of the type of EFT method described in section 12-689-2 of the Regulations of Connecticut State Agencies that the taxpayer has chosen to pay the tax, and the name and address of the taxpayer's bank.

(2) Taxpayers that choose the ACH debit method to pay the tax shall also advise the department, in writing, of the type and number of the taxpayer's bank account from which the tax will be paid by EFT, and the routing transit number of the taxpayer's bank.

**(c) Other responsibilities of the taxpayer.** The taxpayer shall ensure that the taxpayer's bank can and will remit tax payments through the ACH network. Taxpayers that use the ACH credit method also shall ensure that the bank uses the standard record format for tax payments adopted by the National Automated Clearing House Association.

(d) **Taxpayer assistance.** The department shall provide all EFT taxpayers and their banks with all the information needed to complete ACH transactions on time. The department shall provide technical assistance and guidance to taxpayers required to pay tax by EFT. The department shall maintain an EFT “hotline,” which shall be available to taxpayers and their banks every business day from 8:00 a.m. to 5:00 p.m., Eastern Time.

(Adopted effective April 18, 2000)

#### **Sec. 12-689-4. Timely initiation of electronic funds transfer**

##### **(a) Criteria for a timely electronic funds transfer.**

(1) **General criteria.** An EFT is timely if: the EFT process has been completed; the funds have been deposited in the department’s designated bank account; and the funds are available for immediate use by the state of Connecticut on or before the due date for the tax.

(2) For purposes of this section, when an employer remits income tax deducted and withheld from employee wages, “due date” means the next business day after the due date.

##### **(b) Funds available for immediate use.**

(1) **ACH Debit Method.** For the funds to be deposited in the department’s designated bank account and available for the state of Connecticut’s immediate use on or before the due date for the tax, a taxpayer using the ACH debit method shall initiate the EFT by 4:30 p.m. Eastern Time (or any earlier time that the department specifies) on or before the last business day before the date the EFT must be completed.

(2) **ACH Credit Method.** For the funds to be deposited in the department’s designated bank account and available for the state of Connecticut’s immediate use on or before the due date for the tax, a taxpayer using the ACH credit method shall initiate the EFT on or before the deadline set by the taxpayer’s bank or any earlier time that the bank specifies if the due date (or even the bank’s deadline) falls on a Saturday, Sunday or legal holiday.

(c) **Proof of payment.** A statement prepared by the taxpayer’s bank showing a transfer that decreases the taxpayer’s account balance is proof of payment if the statement shows the amount and date of the transfer and identifies the payee as the state of Connecticut.

##### **(d) Failure to pay tax on time by EFT.**

(1) Subject to the provisions of section 12-3a of the Connecticut General Statutes and to the provisions of the chapter or section that impose the tax, the commissioner may waive all or part of a penalty for late payment of the tax when it is proven to his or her satisfaction that the failure was due to reasonable cause and was not intentional or due to neglect.

(2) A taxpayer’s failure to pay tax on time by EFT is due to reasonable cause, and not intentional or due to neglect, if the taxpayer proves to the commissioner’s satisfaction that the circumstances that caused the failure were beyond the taxpayer’s control.

(e) **Penalty waiver criteria for ACH debit transactions.** In an ACH debit transaction, the department or its designated agent originates the transaction when it gets instructions from a taxpayer and is responsible for the accuracy of the transmission. The penalty shall be waived if the taxpayer can prove to the commissioner’s satisfaction that it has:

(1) Given timely instructions to the department’s designated agent;

(2) Been provided a confirmation number by the department or its designated agent; and

(3) Had sufficient funds available in the account to pay the tax.

(f) **Penalty waiver criteria for ACH credit transactions.** In an ACH credit transaction, the taxpayer originates the transaction through its own bank and is primarily responsible for the accuracy of the transmission. The penalty shall be waived if the taxpayer is able to prove to the Commissioner's satisfaction that it:

(1) Initiated the transaction on time;

(2) Provided complete and correct information for the addenda record; and

(3) Had sufficient funds available in the account to pay the tax.

(Adopted effective April 18, 2000)